GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:239
ANSWERED ON:18.02.2009
LOANS TO COMPANIES
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Will the Minister of FINANCE be pleased to state:

(a) whether the Public Sector Banks are not disbursing loans to companies despite the Reserve Bank of India (RBI) cutting interest rates and increasing liquidity;

(b) if so, the reasons therefor; and

(c) the action taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) & (b): In view of the tight liquidity conditions in the markets in the recent past some of the banks were averse to disbursing working capital limits and term loans (including short-term loans) to their clients against the sanctioned limits.

(c): With improvement of the liquidity position, the concerned banks were advised by the RBI to review all such cases and permit drawal of sanctioned limits, guided by their usual commercial judgement.

The banks were also advised by the RBI to consider restructuring the dues of the Small and Medium Enterprises on merits and in accordance with the revised prudential guidelines on restructuring of advances.